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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 1175

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0397

RUEHAK/AMEMBASSY ANKARA PRIORITY 4034

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1851

RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0192

RUEHKO/AMEMBASSY TOKYO PRIORITY 1718

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2287

RHMFIISS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAAIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L ASHGABAT 000903

SIPDIS

STATE FOR SCA/CEN, EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 07/17/2018

TAGS: PREL PGOV EPET TX

SUBJECT: TURKMENISTAN: PETRONAS NATURAL GAS PRODUCTION TO BE LOWER THAN ORIGINALLY PLANNED

Classified By: Charge d'Affaires Sylvia Reed Curran for reasons 1.4(b) and (d).

¶1. (C) During a July 15 meeting, Malaysian petroleum firm Petronas general manager in Turkmenistan Mohammed Ridzan Mohammed Sharif told emboff that his company is now planning on producing only 5 billion cubic meters of natural gas per year in Turkmenistan's block I (Livanov). (NOTE: This statement is contrary to estimates of 10 bcm that Sharif's predecessor, Abdullah Suleiman, previously gave emboff. END NOTE.) According to Sharif, the company could drill at more sites, but this would increase the overall cost, making higher production economically unattractive. Consequently, Petronas has scaled back plans for the gas processing plant it is building on Turkmenistan's Caspian coast north of Turkmenbashy. The plant will now handle only 5 bcm of gas per year.

¶2. (C) Sharif expanded on this report during a July 16 meeting with U.S. Trade and Development Agency Regional Director for Europe and Eurasia Dan Stein, stating that the Livanov field has been certified as being able to produce only 5 bcm of gas per year. The problem is that the Livanov structure is highly faulted. The gas is contained in a series of compartments that would require multiple drilling sites. For now, Sharif seems to be resigned to produce smaller-than-expected volumes of gas. He added that Petronas could seek certification for larger volumes if the cost structures were to make the additional drilling sites economically attractive and could probably bring those new sites on board within three years. However, Sharif welcomed the possibility of contributing gas to either a trans-Caspian pipeline or an interconnector pipeline to Azerbaijan. Sharif added that his company is now producing 7000 barrels of oil per day.

¶3. (C) COMMENT: This news will have serious implications for plans for an interconnector pipeline. Even if Sharif is only being conservative in his estimates, the large gas

production volume Petronas was initially projecting would have allowed Turkmenistan to satisfy the demands of both a Caspian littoral pipeline (northward) and an interconnector pipeline to Azerbaijan. Until the economics change or unless Petronas is able to find additional large fields, an interconnector pipeline may find itself competing with the Caspian littoral for the limited natural gas available from the Caspian. END COMMENT.

CURRAN